Every little help makes a big difference – it’s the value we live by to ensure we serve our customers, colleagues and their communities a little better every day.

Our approach
Our purpose is to serve shoppers a little better every day and an important part of delivering this purpose is about ensuring we tackle the social and environmental challenges affecting the communities we operate in and source from.

This year we reviewed our third value to ensure we capture the bigger impact we can have on these challenges through the cumulative impact of small, thoughtful actions. After consulting our colleagues we decided ‘Every little help makes a big difference’ was the best way of articulating what we are trying to achieve. It sits alongside our other two values: ‘No one tries harder for customers’ and ‘We treat people how they want to be treated’. It reminds us nothing is too small – covering the little things we do every day as well as linking these things together to contribute to the bigger global initiatives in which we are involved.

If our colleagues live this value they can all play a role in making it easier for both customers and colleagues to make healthier choices; reduce food waste wherever it occurs and tackle food poverty with any surpluses; and work with our suppliers to source responsibly and develop sustainable supply chains.

Becoming signatories of the UNGC is another sign of our commitment to these areas and we are proud of the action we have taken to date.

Our governance
We have a clear and robust governance framework for corporate responsibility. This is provided in two ways: internally, through our Board Committees; and externally, through advice and critical feedback.

Our Corporate Responsibility Committee is chaired by our PLC Chairman, John Allan. More information on the activities of the Corporate Responsibility Committee this year can be found in the corporate governance section on page 28.

Visit www.tescoplc.com/society for information on:
• Our approach
• Ongoing activities
• Our latest case studies

Our reporting
This report looks at our business across all of our functions and sets out our focus; our corporate responsibility is a fundamental part of this.

Rather than a separate, printed corporate responsibility report, we publish further details on our corporate responsibility, our policies and our key data online.

This year, we became signatories of the United Nations Global Compact (UNGC) – an initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The initiative is centred on a commitment to 10 principles in the areas of human rights, labour rights, environment and anti-corruption.
Our people

Our approach
In order to serve shoppers a little better every day, we need to continue to provide our colleagues with the best support and opportunities. We have introduced more flexible working, enhanced training opportunities and have a more open and transparent way of working.

Despite challenging times within our business, our colleagues have remained the beating heart of Tesco and have continued to put customers first while delivering outstanding service. Every day this is evident with colleagues going above and beyond their roles – one colleague, Susan McGuckin, even helped deliver a baby in the car park of our Dundee Kingsway store!

Throughout our transformation at Tesco, we have made sure colleagues are the first to know of any changes within the business that will affect them. This commitment to be open and transparent will continue once the transformation is complete.

Diversity in the broadest sense remains critical to our business, and the ratio of male to female colleagues at year-end is outlined in the table below.

We believe that monitoring the pay gap between men and women is an important step towards ensuring everyone is fairly rewarded for their work and enjoys the same opportunities, which is why we’ve monitored gender pay since 2002 and were one of the first companies to voluntarily report it publicly in 2012.

The government has published draft regulations requiring large employers to report their gender pay gap from 2018, which may mean changes to the way we currently calculate our gender pay gap. We have therefore postponed calculating these figures while the government finalises their requirements. Our most recent data from 2014 shows our overall gender pay gap was less than 1%.

Respecting human rights
We always respect the human rights of our customers, colleagues and the people who work in our supply chains. We are committed to upholding basic human rights and fully support the UN Universal Declaration of Human Rights, the International Labour Organization Core Conventions and the UN Guiding Principles on Business and Human Rights. We are a founding member of the Ethical Trading Initiative and our industry-leading team of labour-standards experts support our suppliers to work towards fully implementing its Base Code.

As a result we have been developing our own capability to identify human rights risk through a due diligence process that looks end-to-end in the supply chain and seeks to address systemic challenges, such as modern slavery, wherever they occur.

Rather than relying only on an audit model, we will be looking to focus our resource on collaborating with supplier partners, civil society, union and worker representation groups, and government bodies. We will also be looking to develop new grievance mechanisms.

We are now developing risk metrics to assess potential human rights impacts, and a range of tools and KPIs to help us address and, if necessary, remedy any abuses. We are doing this work in close consultation with the Ethical Trading Initiative, NGOs and trade unions.

Governance and monitoring
Our Company-wide Code of Business Conduct, supported by a training programme, helps colleagues follow key policies. This includes a section on our approach to human rights.

Our Governance Committees consider financial and non-financial risks to our business and the Compliance and Corporate Responsibility Committees in particular consider risks related to our Human Rights Policy, which are maintained on our Company risk register.

We have a large number of in-house, locally based labour-standards experts around the world who work with our suppliers every day to get to the bottom of the real issues in the supply chain, and offer support to address these issues.

We now have protector lines for both colleagues and suppliers so any concerns with business conduct can be raised efficiently and confidentially.

Visit www.tescoplc.com/humanrights for more detail on our full policy

<table>
<thead>
<tr>
<th>Our diversity</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Senior managers – Directors</td>
<td>506</td>
<td>156</td>
</tr>
<tr>
<td>Senior managers – Directors and managers</td>
<td>3,119</td>
<td>1,490</td>
</tr>
<tr>
<td>All employees</td>
<td>205,795</td>
<td>270,658</td>
</tr>
</tbody>
</table>

For more detail on our full policy

Visit www.tescoplc.com/humanrights
Environmental and social review continued

To show how every little help can make a big difference, you can look at our work on both health and food waste.

Health

We want to make it easier for customers, colleagues and our wider community to live more healthily. One way we can do this is by creating partnerships with health experts like Diabetes UK and the British Heart Foundation that support prevention and cure for the biggest health challenges we face.

By working together, we’re combining the charities’ expertise in health with Tesco’s ability to reach people in local communities across the UK. This gives us a unique opportunity to encourage the nation to make healthier choices in the way they live their lives. This year we have raised £7.89m and this is going towards prevention projects and important health research.

We have also now reached over 1.3 million children as part of The Tesco Eat Happy Project, which includes Let’s Cook courses and Farm to Fork Trails. These are helping children to learn more about where their food comes from and to obtain the skills to get more involved in cooking at home. And to help customers we have continued our reformulation work where for example on soft drinks we have removed 4.6 billion calories and over 1,480 tonnes of sugar.

Food waste

We have continued to make progress on trying to prevent food waste from farm to fork.

With suppliers

Our overall approach has always been to make as much use of the edible crop as possible and we’ve included produce of different shapes and sizes for many years now. In some cases, we believe that our specifications can be broadened to accommodate more of the crop. This year, we introduced a new range to use parts of the crop that currently fall outside our specifications. The range will begin with potatoes and parsnips and we plan to add a number of other fruit and vegetables. In addition, we’re developing a range of new ways to change how we forecast and order to help suppliers reduce waste. For example, we are trialling flexible ordering, where we work with our growers to offer them a range of volumes to supply, rather than a specific number.

Own operations

Another vital area of work for us is the way we tackle food waste within our own operations. The Community Food Connection (CFC), run in partnership with FareShare FoodCloud, aims to deliver our overall goal at Tesco to never throw away food that could be eaten. The CFC programme allows stores to alert local charities and community groups to how much surplus food is available at the end of each day, through the FareShare FoodCloud app. Charities simply respond by text message to confirm that they will collect the surplus food.

We have now expanded the CFC to over 100 large stores and we expect to be able to roll out around 100 stores a month to be in all large stores by the end of 2016. We have been donating surplus food from our distribution centres since 2012. In total, nearly 9 million meals have been donated with over 4.6 million in the past 12 months. We are confident that with CFC we now have the solution to donate this food to people in need and stop it going to waste.

When you add the food provided from our surplus redistribution work to the food donated by our customers and topped up by Tesco through the Neighbourhood Food Collection, we have donated food equivalent to over 18 million meals to help people in need in the UK.

Visit www.tescoplc.com/ar2016 to see more about our Community Food Connection programme.
Corporate governance

Do so annually. In 2015/16, 59,400 tonnes of food went to waste, primarily in our stores which is equivalent to 1% of the number of food products we sold in our stores over the same period. The basis for our definition of food waste is that if we are unable to redistribute surplus food to human consumption it becomes waste. Last year we sent 17,800 tonnes of bakery waste to animal feed with the remainder sent to anaerobic digestion and incineration with energy recovery. We have not sent any food waste direct to landfill since 2009.

The food waste figure for this year shows a net increase of 4% on last year (for information on previous years data and calculations please see www.tescoplc.com/foodwastefigures). The benefit of collecting and analysing our data is that it enables us to highlight where exactly increases have occurred so we can develop plans to address hotspot areas. Whilst we have seen an increase overall we have also seen reductions in some categories. Where we have seen an increase in a particular category we will work with the teams to ensure we add to the programmes already in place across our stores to find ways to reduce this level of waste. Importantly, we have also invested in a nationwide rollout of Community Food Connection with FareShare FoodCloud, which will redirect millions of meals of Tesco surplus food to charity by the end of 2017.

Visit www.tescoplc.com/disclosures for more detail on our methodologies, assurance statements and other disclosures.

Greenhouse gas emissions

Our carbon footprint is calculated according to the Greenhouse Gas Protocol. Our net carbon footprint in 2015/16 was 5.1 million tonnes of CO₂e. This year we have reduced our net carbon intensity per sq. ft. of retail and distribution floor space by 1.8% compared to last year, and 41.7% since 2006/07.

<table>
<thead>
<tr>
<th>Global tonnes of CO₂e</th>
<th>2015/16</th>
<th>2014/15</th>
<th>Base year 2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>1,347,150</td>
<td>1,317,812</td>
<td>1,372,394</td>
</tr>
<tr>
<td>Location-based method</td>
<td>2,624,322</td>
<td>2,730,228</td>
<td>2,281,727</td>
</tr>
<tr>
<td>Market-based method</td>
<td>2,035,658</td>
<td>2,125,865</td>
<td>Not Available</td>
</tr>
<tr>
<td>Scope 1 and 2 carbon intensity (kg CO₂e/sq. ft. of stores and distribution centres)</td>
<td>30.54</td>
<td>30.70</td>
<td>51.20</td>
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<tr>
<td>Scope 3</td>
<td>1,129,072</td>
<td>1,216,740</td>
<td>1,142,013</td>
</tr>
<tr>
<td>Total gross emissions</td>
<td>5,100,544</td>
<td>5,264,780</td>
<td>4,796,134</td>
</tr>
<tr>
<td>CO₂e from renewable energy exported to the grid</td>
<td>1,513</td>
<td>1,205</td>
<td>–</td>
</tr>
<tr>
<td>Total net emissions</td>
<td>5,099,031</td>
<td>5,263,575</td>
<td>4,796,134</td>
</tr>
<tr>
<td>Overall net carbon intensity (total net emissions kg CO₂e/sq. ft. of stores and distribution centres)</td>
<td>39.21</td>
<td>39.91</td>
<td>67.20</td>
</tr>
</tbody>
</table>

* Tesco has historically only presented performance using the location-based method for calculating Scope 2 emissions. The market-based method is shown in accordance with the Greenhouse Gas Protocol Scope 2 Guidance and all intensity, net and gross emissions shown are calculated using the location-based method. This year we have also updated our historic emissions to account for business changes and conversion factor updates. For further details see www.tescoplc.com/carbonfigures.

** Independent limited assurance for both food waste and greenhouse gas emissions data has been provided by KPMG LLP using the assurance standards ISAE 3000 (and for data marked with ** ISAE 3410). KPMG has issued an unqualified opinion over the data highlighted in this report with a ** and their respective full assurance opinions are available at: www.tescoplc.com/foodwastefigures and www.tescoplc.com/carbonfigures.